

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2009

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

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ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

OFFICIALS

JUNE 30, 2009

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education
(Before September 2008 Election)**

Dick Morrison	Board President	2008
John Custer	Vice President	2009
Alan Ackerman	Board Member	2009
Tammy Lawrence	Board Member	2009
John Gent	Board Member	2008

**Board of Education
(After September 2008 Election)**

John Custer	Board President	2009
Alan Ackerman	Vice President	2011
Dick Morrison	Board Member	2011
Tammy Lawrence	Board Member	2009
John Gent	Board Member	2011

School Officials

Alan J. Jensen	Superintendent	2009
Wendy Ayers	District Secretary/Treasurer	2009
Elwood, Elwood, & Leinen	Attorney	2009
Ahlers & Cooney PC	Attorney	2009
Bloethe, Elwood, and Buchanan	Attorney	2009
Engel Law Firm	Attorney	2009

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
English Valleys Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of English Valleys Community School District, North English, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of English Valleys Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2010 on our consideration of English Valleys Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison information on pages 3 through 10 and 30 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise English Valleys Community School District's basic financial statements. We previously audited, in accordance with standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2008 (which are not presented herein), and expressed unqualified opinions on those financial statements. The financial statements for the four years ended June 30, 2005 (which are not presented herein) were audited by other auditors, who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
March 29, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

English Valleys Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,372,792 in fiscal 2008 to \$4,703,153 in fiscal 2009, while General Fund expenditures increased from \$4,518,059 in fiscal 2008 to \$4,756,487 in fiscal 2009. The District's General Fund balance increased from \$60,319 in fiscal 2008 to \$137,789 in fiscal 2009, a 128.4% increase.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of English Valleys Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

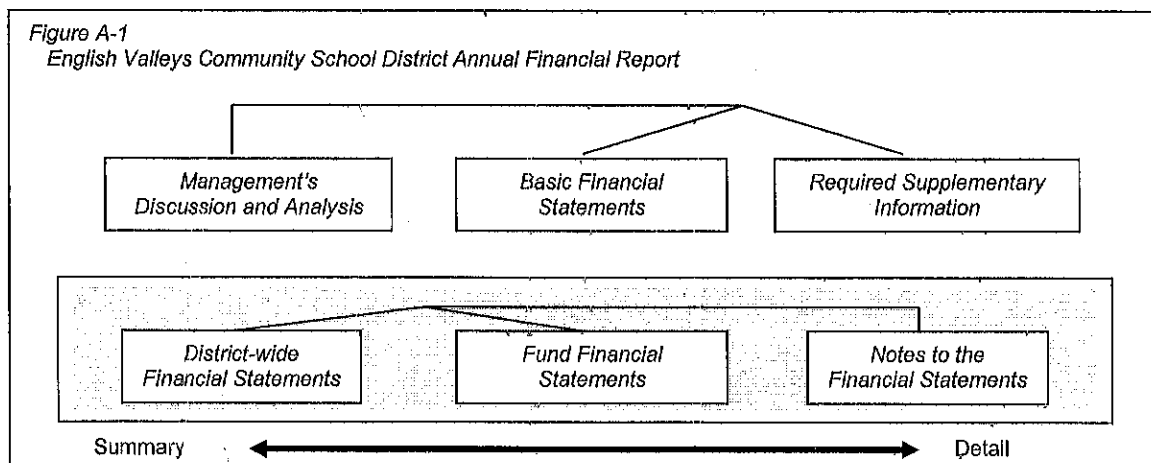


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and student built houses
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Reporting the District's Financial Activities

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and student-built house programs are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law or by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and Student-Built House Fund. Internal Service Funds, the other type of proprietary fund, are optional and available to report activities that provide supplies and services for other District programs and activities. The District currently has one Internal Service Fund, the Flex Benefit Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		
	2009	2008	2009	2008	2009	2008	2008-2009
Current and other assets	\$ 4,121,160	\$ 4,049,951	\$ 57,452	\$ 122,188	\$ 4,178,612	\$ 4,172,139	.2%
Capital assets	<u>3,394,818</u>	<u>3,245,295</u>	<u>3,584</u>	<u>8,755</u>	<u>3,398,402</u>	<u>3,254,050</u>	4.4%
Total assets	<u>7,515,978</u>	<u>7,295,246</u>	<u>61,036</u>	<u>130,943</u>	<u>7,577,014</u>	<u>7,426,189</u>	2.0%
Long-term obligations	1,576,272	1,674,457	-	-	1,576,272	1,674,457	(5.9)%
Other liabilities	<u>3,505,678</u>	<u>3,395,884</u>	<u>14,155</u>	<u>40,478</u>	<u>3,519,833</u>	<u>3,436,362</u>	2.4%
Total liabilities	<u>5,081,950</u>	<u>5,070,341</u>	<u>14,155</u>	<u>40,478</u>	<u>5,096,105</u>	<u>5,110,819</u>	(.3)%
Net assets							
Invested in capital assets, net of related debt	1,859,818	1,520,295	3,584	8,755	1,863,402	1,529,050	21.9%
Restricted	<u>484,117</u>	<u>387,636</u>	-	-	<u>484,117</u>	<u>387,636</u>	24.9%
Unrestricted	<u>90,093</u>	<u>316,974</u>	<u>43,297</u>	<u>81,710</u>	<u>133,390</u>	<u>398,684</u>	(66.5)%
Total net assets, as restated	<u>\$ 2,434,028</u>	<u>\$ 2,224,905</u>	<u>\$ 46,881</u>	<u>\$ 90,465</u>	<u>\$ 2,480,909</u>	<u>\$ 2,315,370</u>	7.2%

The District's combined net assets increased by approximately 7.2%, or \$165,539, from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$96,481, or approximately 24.9% over the prior year. This increase is primarily due to less capital projects expenses in the current year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$265,294, or approximately 66.5%. This decrease was a result of the District experiencing an increase in revenues which were more than offset by the District's increase in expenses.

Figure A-4 shows the change in net assets for the years ended June 30, 2009 and 2008.

Figure A-4
Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		
	2009	2008	2009	2008	2009	2008	2008-2009
Revenues							
Program revenues:							
Charges for services and sales	\$ 749,850	\$ 765,003	\$ 133,687	\$ 136,979	\$ 883,537	\$ 901,982	(2.0)%
Operating grants contributions and restricted interest	802,536	525,339	84,115	82,136	886,651	607,475	46.0%
General revenues:							
Property and sales tax	2,126,365	2,048,588	-	-	2,126,365	2,048,588	3.8%
Unrestricted state grants	1,856,731	1,765,882	-	-	1,856,731	1,765,882	5.1%
Unrestricted investment earnings	45,295	43,523	300	444	45,595	43,967	3.7%
Other	66,016	96,322	10,999	3,128	77,015	99,450	(22.6)%
Total revenues	<u>5,646,793</u>	<u>5,244,657</u>	<u>229,101</u>	<u>222,687</u>	<u>5,875,894</u>	<u>5,467,344</u>	7.5%
Program expenses:							
Instruction	3,920,799	3,445,902	-	-	3,920,799	3,445,902	13.8%
Support services	1,235,897	1,219,957	-	-	1,235,897	1,219,957	1.3%
Non-instructional programs	-	-	253,281	218,890	253,281	218,890	15.7%
Other expenses	300,378	294,568	-	-	300,378	294,568	2.0%
Total expenses	<u>5,457,074</u>	<u>4,960,427</u>	<u>253,281</u>	<u>218,890</u>	<u>5,710,355</u>	<u>5,179,317</u>	10.3%
Transfers	19,404	-	(19,404)	-	-	-	-
Change in net assets	\$ <u>209,123</u>	\$ <u>284,230</u>	\$ <u>(43,584)</u>	\$ <u>3,797</u>	\$ <u>165,539</u>	\$ <u>288,027</u>	(42.5)%

Property tax, sales tax and unrestricted state grants account for 67.8% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90.3% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,646,793 and expenses were \$5,457,074.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	June 30,		Total Change	June 30,		Total Change
	2009	2008	2008-2009	2009	2008	2008-2009
Instruction	\$ 3,920,799	\$ 3,445,902	13.8%	\$ 2,647,171	\$ 2,369,101	11.7%
Support services	1,235,897	1,219,957	1.3%	1,114,847	1,153,886	(3.4)%
Other expenses	300,378	294,568	2.0%	142,670	147,098	(3.0)%
Total expenses	<u>\$ 5,457,074</u>	<u>\$ 4,960,427</u>	10.0%	<u>\$ 3,904,688</u>	<u>\$ 3,670,085</u>	6.4%

- The cost financed by users of the District's programs was \$749,850.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$802,536.
- The net cost of governmental activities was financed with \$2,126,365 in property and other taxes and \$1,856,731 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$229,101 representing a 2.9% increase over the prior year while expenses totaled \$253,281, a 15.7% increase over the prior year. The District's business type activities include the School Nutrition Fund and Student-Built House Fund. Revenues included charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, English Valleys Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$621,906, above last year's ending fund balances of \$447,955. The primary reason for the increase in combined fund balances in fiscal 2009 is due to increases in most revenue categories.

Governmental Fund Highlights

- The General Fund balance increased from \$60,319 to \$137,789 which is the result of many factors. Primarily, growth during the year in tax and grant receipts resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures. Additionally, monies were transferred in from the Internal Service Fund which resulted in an increase in fund balance.

Proprietary Fund Highlights

- Enterprise Fund net assets decreased from \$90,465 at June 30, 2008 to \$46,881 at June 30, 2009, representing a decrease of approximately 48.2% due primarily to an increase in operating expenses in the Nutrition Fund and transfers to the General Fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, English Valleys Community School District made one amendment to its annual budget.

The District's revenues were \$1,064,279 less than budgeted revenues, a variance of 15.3%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were \$2,979,072 less than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$3,398,402 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of approximately 4.4% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$184,622.

The original cost of the District's capital assets was \$8,576,903. Governmental funds account for \$8,492,083, with the remainder of \$84,820 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital assets during the year occurred in the buildings and improvements, land and construction in progress categories. The District's land and construction in progress totaled \$257,413 at June 30, 2009, compared to \$380,691 reported at June 30, 2008. This decrease resulted from completion of construction projects and transferring the cost to buildings and improvements.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		
	2009	2008	2009	2008	2009	2008	2008-2009
Land and construction in progress	\$ 257,413	\$ 380,691	\$ -	\$ -	\$ 257,413	\$ 380,691	(32.4)%
Buildings and Improvements	2,815,788	2,477,880	-	-	2,815,788	2,477,880	13.6%
Furniture and equipment	<u>321,617</u>	<u>386,724</u>	<u>3,584</u>	<u>8,755</u>	<u>325,201</u>	<u>395,479</u>	(17.8)%
Totals, as restated	<u>\$ 3,394,818</u>	<u>\$ 3,245,295</u>	<u>\$ 3,584</u>	<u>\$ 8,755</u>	<u>\$ 3,398,402</u>	<u>\$ 3,254,050</u>	4.4%

Long-Term Debt

At June 30, 2009, the District had \$1,576,272, net of unamortized discount and deferred changes, in general obligation and other long-term debt outstanding. This represents a decrease of approximately 5.9% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt Districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$5.15 million.

Figure A-7
Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		
	2009	2008	2008-2009
General obligation bonds	\$ 1,535,000	\$ 1,725,000	(11.0)%
Early retirement	<u>194,667</u>	<u>128,429</u>	51.6%
Total	<u>\$ 1,729,667</u>	<u>\$ 1,853,429</u>	(6.7)%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Although the District has experienced declining enrollment in the recent past, the District expects the enrollment to increase due to the merger of Districts, and remain steady for the next several subsequent years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Wendy Ayers, District Secretary/Treasurer, English Valleys Community School District, PO Box 490, North English, Iowa 52316.

BASIC FINANCIAL STATEMENTS

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2009

	Governmental Activities	Business Type Activities	Total
<u>ASSETS</u>			
Cash and pooled investments			
ISCAP	\$ 1,200,025	\$ -	\$ 1,200,025
Other	652,207	54,146	706,353
Receivables:			
Property tax:			
Delinquent	29,163	-	29,163
Succeeding year	1,979,946	-	1,979,946
Accrued interest:			
ISCAP	5,380	-	5,380
Accounts receivable	72,879	79	72,958
Due from other governments	181,560	-	181,560
Inventories	-	3,227	3,227
Capital assets, net of accumulated depreciation	3,394,818	3,584	3,398,402
TOTAL ASSETS	7,515,978	61,036	7,577,014
<u>LIABILITIES</u>			
Accounts payable	14,083	-	14,083
Checks in excess of balance	2,140	-	2,140
Salaries and benefits payable	294,532	11,769	306,301
Accrued interest payable	6,203	-	6,203
Deferred revenue - Succeeding year property tax	1,979,946	-	1,979,946
Deferred revenue - Other	-	2,386	2,386
ISCAP warrants payable	1,183,000	-	1,183,000
ISCAP accrued interest payable	7,655	-	7,655
ISCAP unamortized premiums	18,119	-	18,119
Long-term liabilities:			
Portion due within one year:			
Bonds payable	195,000	-	195,000
Early retirement	44,161	-	44,161
Unamortized discount	(838)	-	(838)
Unamortized deferred charge	(24,729)	-	(24,729)
Portion due after one year:			
Bonds payable	1,340,000	-	1,340,000
Early retirement	150,516	-	150,516
Unamortized discount	(4,192)	-	(4,192)
Unamortized deferred charge	(123,646)	-	(123,646)
TOTAL LIABILITIES	5,081,950	14,155	5,096,105
<u>NET ASSETS</u>			
Investment in capital assets, net of related debt	1,859,818	3,584	1,863,402
Restricted for:			
Physical plant and equipment levy	110,091	-	110,091
Other special revenue purposes	146,171	-	146,171
Capital projects	225,298	-	225,298
Debt service	2,557	-	2,557
Unrestricted	90,093	43,297	133,390
TOTAL NET ASSETS	\$ 2,434,028	\$ 46,881	\$ 2,480,909

See Notes to Financial Statements

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2009

		Program Revenues	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
<u>FUNCTIONS/PROGRAMS:</u>			
Governmental activities:			
Instruction:			
Regular instruction	\$ 2,428,241	\$ 539,775	\$ 442,247
Special instruction	702,252	91,230	158,171
Other instruction	790,306	-	42,205
	<u>3,920,799</u>	<u>631,005</u>	<u>642,623</u>
Support services:			
Student services	82,382	-	-
Instructional staff services	57,832	-	-
Administration services	609,272	118,845	-
Operation and maintenance of plant services	248,404	-	-
Transportation services	238,007	-	2,205
	<u>1,235,897</u>	<u>118,845</u>	<u>2,205</u>
Other expenditures:			
Long-term debt interest	77,857	-	-
AEA flowthrough	157,708	-	157,708
Depreciation (unallocated)*	64,813	-	-
	<u>300,378</u>	<u>-</u>	<u>157,708</u>
Total governmental activities	<u>5,457,074</u>	<u>749,850</u>	<u>802,536</u>
Business type activities:			
Non-instructional programs:			
Nutrition services	251,884	133,687	84,115
Student-built house	1,397	-	-
Total business type activities	<u>253,281</u>	<u>133,687</u>	<u>84,115</u>
Total	<u>\$ 5,710,355</u>	<u>\$ 883,537</u>	<u>\$ 886,651</u>

GENERAL REVENUES:

Property tax levied for:
 General purposes
 Capital projects
 Debt services
 Sales and services tax
 Unrestricted state grants
 Unrestricted investment earnings
 Other
 Transfers
 Total general revenues

Changes in net assets

Net assets - Beginning of year, as restated

Net assets - End of year

* This amount excludes the depreciation included in the direct expense of various programs

See Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (1,446,219)	\$ -	\$ (1,446,219)
(452,851)	-	(452,851)
(748,101)	-	(748,101)
<u>(2,647,171)</u>	<u>-</u>	<u>(2,647,171)</u>
(82,382)	-	(82,382)
(57,832)	-	(57,832)
(490,427)	-	(490,427)
(248,404)	-	(248,404)
(235,802)	-	(235,802)
<u>(1,114,847)</u>	<u>-</u>	<u>(1,114,847)</u>
(77,857)	-	(77,857)
-	-	-
<u>(64,813)</u>	<u>-</u>	<u>(64,813)</u>
<u>(142,670)</u>	<u>-</u>	<u>(142,670)</u>
<u>(3,904,688)</u>	<u>-</u>	<u>(3,904,688)</u>
-	(34,082)	(34,082)
-	(1,397)	(1,397)
-	<u>(35,479)</u>	<u>(35,479)</u>
<u>(3,904,688)</u>	<u>(35,479)</u>	<u>(3,940,167)</u>
1,468,945	-	1,468,945
117,368	-	117,368
236,868	-	236,868
303,184	-	303,184
1,856,731	-	1,856,731
45,295	300	45,595
66,016	10,999	77,015
19,404	<u>(19,404)</u>	<u>-</u>
<u>4,113,811</u>	<u>(8,105)</u>	<u>4,105,706</u>
209,123	(43,584)	165,539
<u>2,224,905</u>	<u>90,465</u>	<u>2,315,370</u>
\$ <u>2,434,028</u>	\$ <u>46,881</u>	\$ <u>2,480,909</u>

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and pooled investments:				
ISCAP	\$ 1,200,025	\$ -	\$ -	\$ 1,200,025
Other	233,222	-	418,985	652,207
Receivables:				
Property tax:				
Delinquent	22,079	4,476	2,608	29,163
Succeeding year	1,593,902	243,040	143,004	1,979,946
Accounts receivable	69,693	-	3,186	72,879
Accrued interest:				
ISCAP	5,380	-	-	5,380
Due from other governments	<u>106,834</u>	<u>-</u>	<u>74,726</u>	<u>181,560</u>
 TOTAL ASSETS	 \$ <u>3,231,135</u>	 \$ <u>247,516</u>	 \$ <u>642,509</u>	 \$ <u>4,121,160</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ 12,065	\$ -	\$ 2,018	\$ 14,083
Checks issued in excess of balance	-	1,919	-	1,919
Salaries and benefits payable	278,605	-	15,927	294,532
ISCAP warrants payable	1,183,000	-	-	1,183,000
ISCAP accrued interest payable	7,655	-	-	7,655
ISCAP unamortized premiums	18,119	-	-	18,119
Deferred revenue:				
Succeeding year property tax	<u>1,593,902</u>	<u>243,040</u>	<u>143,004</u>	<u>1,979,946</u>
Total liabilities	<u>3,093,346</u>	<u>244,959</u>	<u>160,949</u>	<u>3,499,254</u>
 <u>FUND BALANCES:</u>				
Reserved for:				
Debt service	-	2,557	-	2,557
Unreserved, undesignated:				
Special revenue funds	-	-	256,262	256,262
Other governmental	<u>137,789</u>	<u>-</u>	<u>225,298</u>	<u>363,087</u>
Total fund balances	<u>137,789</u>	<u>2,557</u>	<u>481,560</u>	<u>621,906</u>
 TOTAL LIABILITIES AND FUND BALANCES	 \$ <u>3,231,135</u>	 \$ <u>247,516</u>	 \$ <u>642,509</u>	 \$ <u>4,121,160</u>

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

TOTAL FUND BALANCES OF GOVERNMENTAL FUNDS \$ 621,906

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 3,394,818

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (6,203)

The Internal Service Fund is used by the District to charge the costs of the flex-benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Assets. (221)

Long-term liabilities, including bonds and early retirement payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (1,576,272)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 2,434,028

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General	Debt Service	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,374,671	\$ 236,868	\$ 514,826	\$ 2,126,365
Tuition	435,950	-	-	435,950
Other	233,267	-	191,946	425,213
State sources	2,454,688	-	-	2,454,688
Federal sources	204,577	-	-	204,577
Total revenues	<u>4,703,153</u>	<u>236,868</u>	<u>706,772</u>	<u>5,646,793</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,249,561	-	50,408	2,299,969
Special instruction	687,653	-	-	687,653
Other instruction	589,522	-	191,879	781,401
	<u>3,526,736</u>	<u>-</u>	<u>242,287</u>	<u>3,769,023</u>
Support services:				
Student services	2,052	-	-	2,052
Instructional staff services	56,630	-	-	56,630
Administration services	553,259	-	41,558	594,817
Operation and maintenance of plant services	241,962	-	-	241,962
Transportation services	218,140	-	-	218,140
	<u>1,072,043</u>	<u>-</u>	<u>41,558</u>	<u>1,113,601</u>
Other expenditures:				
Facilities acquisitions	-	-	328,974	328,974
Long-term debt:				
Principal	-	190,000	-	190,000
Interest and fiscal charges	-	52,940	-	52,940
AEA flowthrough	157,708	-	-	157,708
	<u>157,708</u>	<u>242,940</u>	<u>328,974</u>	<u>729,622</u>
Total expenditures	<u>4,756,487</u>	<u>242,940</u>	<u>612,819</u>	<u>5,612,246</u>
Excess (deficiency) of revenues over expenditures	<u>(53,334)</u>	<u>(6,072)</u>	<u>93,953</u>	<u>34,547</u>
Other financing sources (uses):				
Transfers in	164,603	-	8,600	173,203
Transfers out	(33,799)	-	-	(33,799)
Total other financing sources (uses)	<u>130,804</u>	<u>-</u>	<u>8,600</u>	<u>139,404</u>
Net change in fund balances	77,470	(6,072)	102,553	173,951
FUND BALANCES - Beginning of year	<u>60,319</u>	<u>8,629</u>	<u>379,007</u>	<u>447,955</u>
FUND BALANCES - End of year	<u>\$ 137,789</u>	<u>\$ 2,557</u>	<u>\$ 481,560</u>	<u>\$ 621,906</u>

See Notes to Financial Statements

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 173,951

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amount of capital outlays exceeded depreciation expense in the current year as follows:

Capital outlays	\$ 328,974	
Depreciation expense	<u>(179,451)</u>	149,523

The Internal Service Fund is used by the District to charge the costs of the flex-benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

(213,186)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded amortization as follows:

Amortization of bond discount and deferred charge	\$ (25,567)	
Repaid	<u>190,000</u>	164,433

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Early retirement	(66,248)
------------------	----------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded in the governmental funds as an expenditure when paid. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is paid.

650

CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 209,123

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2009

	Business Type Activities <u>Nonmajor Enterprise</u>	Governmental Activities <u>Internal Service</u>
<u>ASSETS</u>		
Cash and pooled investments	\$ 54,146	\$ -
Accounts receivable	79	-
Inventories	3,227	-
Capital assets, net of accumulated depreciation	<u>3,584</u>	<u>-</u>
TOTAL ASSETS	<u>61,036</u>	<u>-</u>
<u>LIABILITIES</u>		
Salaries and benefits payable	11,769	-
Checks issued in excess of balance	-	221
Deferred revenues	<u>2,386</u>	<u>-</u>
TOTAL LIABILITIES	<u>14,155</u>	<u>221</u>
<u>NET ASSETS</u>		
Investment in capital assets, net of related debt	3,584	-
Unrestricted	<u>43,297</u>	<u>(221)</u>
TOTAL NET ASSETS	\$ <u>46,881</u>	\$ <u>(221)</u>

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	<u>Business Type</u> <u>Activities</u> <u>Nonmajor</u> <u>Enterprise</u>	<u>Governmental</u> <u>Activities</u> <u>Internal</u> <u>Service</u>
<u>OPERATING REVENUES:</u>		
Local sources:		
Charges for services	\$ 133,687	\$ 468,680
Miscellaneous	<u>10,999</u>	<u>-</u>
Total operating revenues	<u>144,686</u>	<u>468,680</u>
<u>OPERATING EXPENSES:</u>		
Non-instructional programs:		
Employee benefits:		
Miscellaneous	-	562,015
Food service operations:		
Salaries	104,735	-
Benefits	17,894	-
Supplies	115,841	-
Miscellaneous	9,640	-
Depreciation	<u>5,171</u>	<u>-</u>
Total operating expenses	<u>253,281</u>	<u>562,015</u>
OPERATING LOSS	<u>(108,595)</u>	<u>(93,335)</u>
<u>NON-OPERATING REVENUES:</u>		
State sources	2,477	-
Federal sources	81,638	-
Interest income	<u>300</u>	<u>149</u>
Total non-operating revenues	<u>84,415</u>	<u>149</u>
Loss before transfers	(24,180)	(93,186)
Other financing sources (uses):		
Transfers in	25,199	-
Transfers out	<u>(44,603)</u>	<u>(120,000)</u>
Total other financing sources (uses)	<u>(19,404)</u>	<u>(120,000)</u>
CHANGE IN NET ASSETS	(43,584)	(213,186)
<u>NET ASSETS - Beginning of year</u>	<u>90,465</u>	<u>212,965</u>
<u>NET ASSETS - End of year</u>	\$ <u>46,881</u>	\$ <u>(221)</u>

See Notes to Financial Statements

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2009

	Business Type Activities Nonmajor Enterprise	Governmental Activities Internal Service
<u>CASH FLOWS FROM OPERATING ACTIVITIES :</u>		
Cash received from sale of meals	\$ 133,788	\$ -
Cash received from sale of inventory	98,809	-
Cash received for services	-	554,004
Cash received for miscellaneous items	10,999	-
Cash payments to employees for services	(110,086)	-
Cash payments to suppliers for goods or services	(153,588)	(561,794)
NET CASH USED IN OPERATING ACTIVITIES	(20,078)	(7,790)
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES :</u>		
State grants received	2,477	-
Federal grants received	69,776	-
Transfers in	25,199	-
Transfers out	(44,603)	(120,000)
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	52,849	(120,000)
<u>CASH FLOWS FROM INVESTING ACTIVITIES :</u>		
Interest on investments	300	149
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	33,071	(127,641)
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of year	21,075	127,641
<u>CASH AND CASH EQUIVALENTS</u> - End of year	\$ 54,146	\$ -
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES :</u>		
Operating loss	\$ (108,595)	\$ (93,335)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	11,862	-
Depreciation	5,171	-
Decrease in accounts receivable	98,910	85,324
Increase in inventories	(1,103)	-
Decrease in accounts payable	(153)	-
Increase in salaries and benefits payable	681	-
Increase (decrease) in checks issued in excess of balance	(26,851)	221
Net cash used in operating activities	\$ (20,078)	\$ (7,790)
<u>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES :</u>		
During the year ended June 30, 2009, the District received \$11,862 of federal commodities.		

See Notes to Financial Statements

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The English Valleys Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of North English, Iowa, and the predominate agricultural territory in Keokuk and Iowa Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, English Valleys Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The English Valleys Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization

The District does not participate in any jointly governed organizations for which the District is financially accountable or that the nature and significance of the relationship with the District are such that exclusion would cause the District's financial statements to be misleading.

Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From this fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports no major proprietary funds. However, the District reports nonmajor proprietary funds and an Internal Service Fund. The Internal Service, Flex Benefit Fund is utilized to account for employee flexible benefits.

Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt and claims and judgments are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Equity (Continued)

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on the January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

Due from Other Governments – Due from other governments represent amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property and furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment	2,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Early Retirement – District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2009. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Equity (Continued)

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within 60 days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

NOTE 2: CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust, as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>881,842</u>

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 2: CASH AND POOLED INVESTMENTS (Continued)

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest Rate Risk – The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit Risk - The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

NOTE 3: IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2009 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>	<u>Unamortized Premiums</u>
2008-09B	01/21/2009	01/21/2010	\$ 573,256	\$ 5,303	\$ 566,000	\$ 7,444	\$ 6,175
2009-10A	06/25/2009	06/23/2010	626,769	77	617,000	211	11,944
Total			\$ 1,200,025	\$ 5,380	\$ 1,183,000	\$ 7,655	\$ 18,119

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. During the year ended June 30, 2009, the District was advanced \$250,000.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2008-09B	3.50%	3.469%
2009-10A	2.50%	0.920%

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2009 was as follows:

	<u>Balance Beginning of Year, As Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 257,413	\$ -	\$ -	\$ 257,413
Construction in progress	<u>123,278</u>	<u>310,652</u>	<u>433,930</u>	<u>-</u>
Total capital assets not being depreciated	<u>380,691</u>	<u>310,652</u>	<u>433,930</u>	<u>257,413</u>
Capital assets being depreciated:				
Buildings and improvements	4,872,772	433,930	-	5,306,702
Furniture and equipment	<u>2,909,646</u>	<u>18,322</u>	<u>-</u>	<u>2,927,968</u>
Total capital assets being depreciated	<u>7,782,418</u>	<u>452,252</u>	<u>-</u>	<u>8,234,670</u>
Less accumulated depreciation for:				
Buildings and improvements	2,394,892	96,022	-	2,490,914
Furniture and equipment	<u>2,522,922</u>	<u>83,429</u>	<u>-</u>	<u>2,606,351</u>
Total accumulated depreciation	<u>4,917,814</u>	<u>179,451</u>	<u>-</u>	<u>5,097,265</u>
Total capital assets being depreciated, net	<u>2,864,604</u>	<u>272,801</u>	<u>-</u>	<u>3,137,405</u>
Governmental activities capital assets, net	\$ <u>3,245,295</u>	\$ <u>583,453</u>	\$ <u>433,930</u>	\$ <u>3,394,818</u>
Business type activities:				
Furniture and equipment	\$ 84,820	\$ -	\$ -	\$ 84,820
Less accumulated depreciation	<u>76,065</u>	<u>5,171</u>	<u>-</u>	<u>81,236</u>
Business-type activities capital assets, net	\$ <u>8,755</u>	\$ <u>5,171</u>	\$ <u>-</u>	\$ <u>3,584</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular

\$ 14,231

Other

871

Support services:

Instructional staff

80,286

Administration

2,709

Operation and maintenance of plant

1,305

Transportation

15,236

Unallocated

64,813

Total depreciation expense – Governmental activities

\$ 179,451

Business type activities:

School nutrition

\$ 5,171

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 5: LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 1,725,000	\$ -	\$ 190,000	\$ 1,535,000	\$ 195,000
Early retirement	<u>128,429</u>	<u>97,891</u>	<u>31,643</u>	<u>194,677</u>	<u>44,161</u>
Total	\$ <u>1,853,429</u>	\$ <u>97,891</u>	\$ <u>221,643</u>	\$ <u>1,729,677</u>	\$ <u>239,161</u>

General Obligation Bonds

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Refunding Bonds Dated July 1, 2003</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	2.75	\$ 195,000	\$ 47,790	\$ 242,790
2011	3.00	205,000	42,427	247,427
2012	3.00	215,000	36,277	251,277
2013	3.00	220,000	29,827	249,827
2014	3.25	225,000	23,227	248,227
2015	3.30	235,000	15,915	250,915
2016	3.40	<u>240,000</u>	<u>8,160</u>	<u>248,160</u>
		\$ <u>1,535,000</u>	\$ <u>203,623</u>	\$ <u>1,738,623</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees, who meet certain eligibility guidelines. Eligible employees must be between the ages of 55 and 62 and have completed 15 years of consecutive service to the District. Employees must have completed an application, which was required to be approved by the Board of Education. The early retirement benefit is calculated as 100% of the difference between the B.A step 0 and the employee's position on the salary scale as of the start of the year following retirement. In addition, the District will pay for single health and major medical insurance coverage under the District's insurance policy until the retiree reaches age 65. Early retirement benefits paid during the year ended June 30, 2009 totaled \$31,643.

NOTE 6: PENSION AND RETIREMENT BENEFITS

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered payroll for the year ended June 30, 2009. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$306,090, \$163,248 and \$144,427 respectively, equal to the required contributions for each year.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 7: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 8: AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$157,708 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

NOTE 9: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Internal Service	\$ 120,000
	Enterprise:	
	Student-Built House	<u>44,603</u>
		<u>164,603</u>
Special Revenue:		
Student Activity	General	<u>8,600</u>
Enterprise:		
School Nutrition	General	<u>25,199</u>
		\$ <u>198,402</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

NOTE 10: DEFICIT BALANCES

At June 30, 2009, one fund had a deficit balance as follows:

Internal Service Fund	\$ <u>221</u>
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This deficit balance was the result of costs in excess of available funds. This deficit will be eliminated upon collection of future revenues of the Internal Service Fund.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 11: OPERATING LEASE

The District leases two copiers with terms through February 24, 2014. The lease is considered an operating lease and monthly lease payments are \$744. Rent expense for the year ended June 30, 2009 was \$2,976. Future minimum lease payments are as follows:

June 30,

2010	\$ 8,929
2011	8,929
2012	8,929
2013	8,929
2014	<u>5,954</u>
	\$ <u>41,670</u>

NOTE 12: RESTATEMENT

During the year ended June 30, 2009, it was discovered that certain construction in progress expenditures were mistakenly reflected in the government-wide statement of net assets for the year ended June 30, 2008.

	<u>Governmental Activities</u>
Net assets June 30, 2008, as previously reported	\$ 2,657,681
Restatements:	
Record adjustment for construction in progress expenditures	<u>432,776</u>
Net assets June 30, 2008, as restated	\$ <u>2,224,905</u>

NOTE 13: SUBSEQUENT EVENT

As of July 1, 2009, English Valleys Community School District and Deep River-Millersburg Community School District merged.

REQUIRED SUPPLEMENTARY INFORMATION

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2009

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
<u>REVENUES:</u>			
Local sources	\$ 2,987,528	\$ 144,986	\$ 3,132,514
State sources	2,454,688	2,477	2,457,165
Federal sources	<u>204,577</u>	<u>81,638</u>	<u>286,215</u>
Total revenues	<u>5,646,793</u>	<u>229,101</u>	<u>5,875,894</u>
<u>EXPENDITURES:</u>			
Instruction	3,769,023	-	3,769,023
Support services	1,113,601	-	1,113,601
Non-instructional programs	-	253,281	253,281
Other expenditures	<u>729,622</u>	<u>-</u>	<u>729,622</u>
Total expenditures	<u>5,612,246</u>	<u>253,281</u>	<u>5,865,527</u>
Excess (deficiency) of revenues over (under) expenditures	34,547	(24,180)	10,367
Other financing sources (uses):			
Transfers in	173,203	25,199	198,402
Transfers out	<u>(33,799)</u>	<u>(44,603)</u>	<u>(78,402)</u>
Total other financing sources (uses)	<u>139,404</u>	<u>(19,404)</u>	<u>120,000</u>
Net change in fund balances	173,951	(43,584)	130,367
<u>BALANCE</u> - Beginning of year	<u>447,955</u>	<u>90,465</u>	<u>538,420</u>
<u>BALANCE</u> - End of year	\$ <u>621,906</u>	\$ <u>46,881</u>	\$ <u>668,787</u>

<u>Budgeted Amounts</u>		<u>Final to</u>
<u>Original</u>	<u>Final</u>	<u>Actual</u>
		<u>Variance</u>
\$ 4,135,570	\$ 4,135,570	\$ (1,003,056)
2,585,103	2,585,103	(127,938)
<u>219,500</u>	<u>219,500</u>	<u>66,715</u>
<u>6,940,173</u>	<u>6,940,173</u>	<u>(1,064,279)</u>
5,548,566	5,548,566	1,779,543
1,799,190	1,964,025	850,424
244,432	277,024	23,743
<u>1,054,984</u>	<u>1,054,984</u>	<u>325,362</u>
<u>8,647,172</u>	<u>8,844,599</u>	<u>2,979,072</u>
(1,706,999)	(1,904,426)	1,914,793
15,000	15,000	183,402
<u>(15,000)</u>	<u>(15,000)</u>	<u>(63,402)</u>
<u>-</u>	<u>-</u>	<u>120,000</u>
(1,706,999)	(1,904,426)	2,034,793
<u>947,000</u>	<u>947,000</u>	<u>(408,580)</u>
\$ <u>(759,999)</u>	\$ <u>(957,426)</u>	\$ <u>1,626,213</u>

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$197,427.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>Special Revenue Funds</u>				
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Capital Projects</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and pooled investments	\$ 103,477	\$ 55,608	\$ 109,328	\$ 150,572	\$ 418,985
Receivables:					
Property tax:					
Delinquent	1,845	-	763	-	2,608
Succeeding year	143,004	-	-	-	143,004
Accounts receivable	628	2,558	-	-	3,186
Due from other governments	-	-	-	74,726	74,726
 TOTAL ASSETS	 \$ 248,954	 \$ 58,166	 \$ 110,091	 \$ 225,298	 \$ 642,509
 <u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES:</u>					
Accounts payable	\$ -	\$ 2,018	\$ -	\$ -	\$ 2,018
Salaries and benefits payable	5,160	10,767	-	-	15,927
Deferred revenue:					
Succeeding year property tax	143,004	-	-	-	143,004
Total liabilities	148,164	12,785	-	-	160,949
 <u>FUND BALANCES:</u>					
Unreserved fund balances	100,790	45,381	110,091	225,298	481,560
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 248,954	 \$ 58,166	 \$ 110,091	 \$ 225,298	 \$ 642,509

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	Special Revenue Funds				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Total
REVENUES:					
Local sources:					
Local tax	\$ 97,661	\$ -	\$ 113,981	\$ 303,184	\$ 514,826
Other	9,060	179,928	1,280	1,678	191,946
Total revenues	<u>106,721</u>	<u>179,928</u>	<u>115,261</u>	<u>304,862</u>	<u>706,772</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	50,408	-	-	-	50,408
Other instruction	-	191,879	-	-	191,879
Support services:					
Administration services	41,558	-	-	-	41,558
Other expenditures:					
Facilities acquisition	-	-	175,459	153,515	328,974
Total expenditures	<u>91,966</u>	<u>191,879</u>	<u>175,459</u>	<u>153,515</u>	<u>612,819</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,755</u>	<u>(11,951)</u>	<u>(60,198)</u>	<u>151,347</u>	<u>93,953</u>
Other financing sources:					
Transfers in	-	8,600	-	-	8,600
Net change in fund balances	14,755	(3,351)	(60,198)	151,347	102,553
FUND BALANCES - Beginning of year	<u>86,035</u>	<u>48,732</u>	<u>170,289</u>	<u>73,951</u>	<u>379,007</u>
FUND BALANCES - End of year	\$ <u>100,790</u>	\$ <u>45,381</u>	\$ <u>110,091</u>	\$ <u>225,298</u>	\$ <u>481,560</u>

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS

JUNE 30, 2009

	Enterprise		
	<u>School</u>	<u>Student-Built</u>	
	<u>Nutrition</u>	<u>House</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 17,422	\$ 36,724	\$ 54,146
Accounts receivable	79	-	79
Inventories	3,227	-	3,227
Capital assets, net of accumulated depreciation	<u>3,584</u>	<u>-</u>	<u>3,584</u>
TOTAL ASSETS	<u>24,312</u>	<u>36,724</u>	<u>61,036</u>
<u>LIABILITIES</u>			
Salaries and benefits payable	11,769	-	11,769
Deferred revenue	<u>2,386</u>	<u>-</u>	<u>2,386</u>
TOTAL LIABILITIES	<u>14,155</u>	<u>-</u>	<u>14,155</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	3,584	-	3,584
Unrestricted	<u>6,573</u>	<u>36,724</u>	<u>43,297</u>
TOTAL NET ASSETS	\$ <u>10,157</u>	\$ <u>36,724</u>	\$ <u>46,881</u>

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	Enterprise		
	School Nutrition	Student-Built House	Total
<u>OPERATING REVENUES:</u>			
Local sources:			
Charges for meals	\$ 133,687	\$ -	\$ 133,687
Miscellaneous	316	10,683	10,999
Total operating revenues	<u>134,003</u>	<u>10,683</u>	<u>144,686</u>
<u>OPERATING EXPENSES:</u>			
Non-instructional programs:			
Salaries	104,735	-	104,735
Benefits	17,894	-	17,894
Supplies	114,698	1,143	115,841
Miscellaneous	9,386	254	9,640
Depreciation	5,171	-	5,171
Total operating expenses	<u>251,884</u>	<u>1,397</u>	<u>253,281</u>
Operating income (loss)	<u>(117,881)</u>	<u>9,286</u>	<u>(108,595)</u>
<u>NON-OPERATING REVENUES:</u>			
State sources	2,477	-	2,477
Federal sources	81,638	-	81,638
Interest income	64	236	300
Total non-operating revenues	<u>84,179</u>	<u>236</u>	<u>84,415</u>
Income (loss) before transfers	(33,702)	9,522	(24,180)
Other financing sources (uses):			
Transfers in	25,199	-	25,199
Transfers out	-	(44,603)	(44,603)
Total other financing sources (uses)	<u>25,199</u>	<u>(44,603)</u>	<u>(19,404)</u>
Change in net assets	(8,503)	(35,081)	(43,584)
<u>NET ASSETS</u> - Beginning of year	<u>18,660</u>	<u>71,805</u>	<u>90,465</u>
<u>NET ASSETS</u> - End of year	\$ <u>10,157</u>	\$ <u>36,724</u>	\$ <u>46,881</u>

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 YEAR ENDED JUNE 30, 2009

	Enterprise		
	School Nutrition	Student-Built House	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES :</u>			
Cash received from sale of meals	\$ 133,788	\$ -	\$ 133,788
Cash received from sale of inventory	-	98,809	98,809
Cash received for miscellaneous items	316	10,683	10,999
Cash payments to employees for services	(110,086)	-	(110,086)
Cash payments to suppliers for goods and services	(125,187)	(28,401)	(153,588)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(101,169)	81,091	(20,078)
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES :</u>			
State grants received	2,477	-	2,477
Federal grants received	69,776	-	69,776
Transfers in	25,199	-	25,199
Transfers out	-	(44,603)	(44,603)
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	97,452	(44,603)	52,849
<u>CASH FLOWS FROM INVESTING ACTIVITIES :</u>			
Interest on investments	64	236	300
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,653)	36,724	33,071
<u>CASH AND CASH EQUIVALENTS - Beginning of year</u>	<u>21,075</u>	<u>-</u>	<u>21,075</u>
<u>CASH AND CASH EQUIVALENTS - End of year</u>	<u>\$ 17,422</u>	<u>\$ 36,724</u>	<u>\$ 54,146</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES :</u>			
Operating income (loss)	\$ (117,881)	\$ 9,286	\$ (108,595)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Commodities consumed	11,862	-	11,862
Depreciation	5,171	-	5,171
Increase in accounts receivable	101	98,809	98,910
Decrease in inventories	(1,103)	-	(1,103)
Decrease in accounts payable	-	(153)	(153)
Increase in salaries and benefits payable	681	-	681
Decrease in checks issued in excess of balance	-	(26,851)	(26,851)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (101,169)	\$ 81,091	\$ (20,078)
<u>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES :</u>			
During the year ended June 30, 2009, the District received \$11,862 in federal commodities			

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND -
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2009

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenue/ Transfers in</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
Annual	\$ 2,106	\$ 5,312	\$ 6,952	\$ 466
Athletics	4,985	39,472	44,078	379
Cheerleaders	659	160	398	421
Golf	431	515	728	218
Class of:				
2008	21	-	-	21
2009	137	630	766	1
2010	1,275	2,459	3,330	404
2011	835	1,368	273	1,930
2012	75	560	-	635
2013	100	-	-	100
2014	381	-	-	381
Concessions	1,797	14,556	16,067	286
FFA	2,945	11,633	15,299	(721)
HS student activities	567	563	-	1,130
Lutton student activities	(67)	8,468	6,525	1,876
Interest	11	137	143	5
Library club	546	372	562	356
Model UN	49	523	419	153
Music boosters	5,226	38,005	35,202	8,029
Science club	26	-	-	26
Student council	546	11,514	11,749	311
Spanish club	278	-	-	278
Speech/drama	1,892	2,148	1,240	2,800
Girls softball	658	2,333	2,287	704
Girls basketball	1,223	14,925	13,071	3,077
Track	647	4,568	4,190	1,025
Boys basketball	1,531	4,255	3,526	2,260
Baseball	2,828	288	851	2,265
Wrestling	8,723	6,474	6,371	8,826
Football	2,020	713	1,221	1,512
Volleyball	1,740	4,826	5,279	1,287
Lutton	563	1,985	1,817	731
Heart fund	134	880	880	134
Book fair	541	4,486	4,972	55
Family night	4	-	-	4
FCCLA	(71)	556	315	170
Bear Essentials	3,071	1,370	1,331	3,110
Valley rush	299	2,474	2,037	736
Totals	\$ <u>48,732</u>	\$ <u>188,528</u>	\$ <u>191,879</u>	\$ <u>45,381</u>

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST EIGHT YEARS

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenues:			
Local sources:			
Local tax	\$ 2,126,365	\$ 2,048,588	\$ 1,798,491
Tuition	435,950	526,412	540,154
Other	425,213	378,436	427,718
State sources	2,454,688	2,176,211	2,212,623
Federal sources	<u>204,577</u>	<u>115,009</u>	<u>136,596</u>
Total	\$ <u>5,646,793</u>	\$ <u>5,244,656</u>	\$ <u>5,115,582</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 2,299,969	\$ 2,198,522	\$ 1,975,095
Special instruction	687,653	609,387	589,927
Other instruction	781,401	684,830	711,051
Support services:			
Student services	2,052	1,497	868
Instructional staff services	56,630	73,624	66,186
Administration services	594,817	557,789	520,600
Operation and maintenance			
of plant services	241,962	276,456	251,756
Transportation services	218,140	221,080	261,665
Non-instructional	-	-	-
Other expenditures:			
Facilities acquisitions	328,974	408,430	341,026
Long term debt:			
Principal	190,000	185,000	185,000
Interest	52,940	58,399	62,190
AEA flow-through	<u>157,708</u>	<u>147,470</u>	<u>140,382</u>
Total	\$ <u>5,612,246</u>	\$ <u>5,422,484</u>	\$ <u>5,105,746</u>

SCHEDULE 7

Modified Accrual Basis
Years Ended June 30,

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 1,856,775	\$ 1,757,958	\$ 1,664,110	\$ 1,629,439	\$ 1,599,624
482,087	415,982	406,331	366,089	314,901
334,090	358,670	330,664	332,526	348,179
1,902,649	1,909,318	1,896,927	1,830,632	1,819,592
<u>115,720</u>	<u>135,974</u>	<u>124,639</u>	<u>124,500</u>	<u>73,825</u>
\$ <u>4,691,321</u>	\$ <u>4,577,902</u>	\$ <u>4,422,671</u>	\$ <u>4,283,186</u>	\$ <u>4,156,121</u>
\$ 1,953,446	\$ 1,967,316	\$ 1,850,465	\$ 1,754,457	\$ 1,749,974
532,351	507,648	631,898	543,040	478,473
668,618	560,347	480,791	430,659	430,585
26	4,845	1,481	39,921	43,446
68,830	61,691	56,127	52,162	59,438
502,577	523,888	521,419	507,546	474,032
289,209	267,881	248,278	229,773	254,547
204,890	258,022	172,092	167,836	184,655
-	-	21,853	23,277	25,331
80,190	135,778	69,127	78,786	142,735
180,000	180,000	195,000	120,000	110,000
65,865	69,390	61,041	139,185	145,785
<u>133,846</u>	<u>133,316</u>	<u>136,119</u>	<u>139,916</u>	<u>139,078</u>
\$ <u>4,679,848</u>	\$ <u>4,670,122</u>	\$ <u>4,445,691</u>	\$ <u>4,226,558</u>	\$ <u>4,238,079</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
English Valleys Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of English Valleys Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 29, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered English Valleys Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of English Valleys Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of English Valleys Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects English Valleys Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of English Valleys Community School District's financial statements that is more than inconsequential will not be prevented or detected by English Valleys Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by English Valleys Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe Item II-A-09 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether English Valleys Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

English Valleys Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit English Valleys Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of English Valleys Community School District and other parties to whom the District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of English Valleys Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
March 29, 2010

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

PART I: SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

Significant Deficiencies:

- II-A-09 Segregation of Duties – The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on the accounting records accuracy and reliability, although we noted the District had taken steps to segregate duties between present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

Instances of Non-Compliance:

No matters were noted.

Part III: Other Findings Related to Statutory Reporting:

- III-A-09 Certified Budget – Expenditures for the year ended June 30, 2009 did not exceed the amounts budgeted, although the District did budget for an overall fund balance deficit.

Recommendation – The District should budget in such a way that resources are available to pay for budgeted expenditures, not allowing for any fund balance deficits.

Response – We will review and consider your recommendation for any future budgets.

Conclusion – Response accepted.

- III-B-09 Questionable Expenditures – No expenditures we believe may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

- III-C-09 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- III-D-09 Business Transactions – No business transactions between the District and District officials or employees were noted.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part III: Other Findings Related to Statutory Reporting: (Continued)

- III-E-09 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-F-09 Board Minutes – We noted no transactions requiring Board approval which have not been approved by the Board.
- III-G-09 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- III-H-09 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- III-I-09 Certified Annual Report - The certified annual report was certified timely to the Iowa Department of Education.
- III-J-09 Deficit Balances – The Internal Service Fund and one student activity account had deficit balances at June 30, 2009.

Recommendation – The District should investigate alternatives to eliminate these deficits in order to return this fund and account to a sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate any deficits in the funds or student activity accounts at the end of the fiscal year.

Conclusion – Response accepted.